

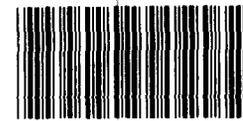
GAO

Report to the Speaker and the Sergeant
at Arms of the House of
Representatives

September 1991

FINANCIAL AUDIT

House Office of the
Sergeant at Arms—
Periods Ended 6-30-90
and 12-31-89



144825

**Comptroller General
of the United States**

B-114854

September 18, 1991

To the Speaker and the Sergeant at Arms
of the House of Representatives

In accordance with the act of July 26, 1949 (2 U.S.C. 81a), we have audited the balance sheets of three appropriation funds and the deposit fund administered by the Office of the Sergeant at Arms, House of Representatives, as of June 30, 1990, and December 31, 1989, and the related statements of operations and cash flows for each of the 6-month periods then ended. We completed our audit work on August 9, 1990. These financial statements are the responsibility of the Office's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note 1, the financial statements present only four of the funds administered by the House Office of the Sergeant at Arms and do not present the financial position and results of the operations of the House Office of the Sergeant at Arms as a whole.

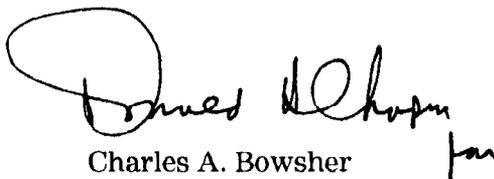
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of three appropriation funds and the deposit fund administered by the House Office of the Sergeant at Arms as of June 30, 1990, and December 31, 1989, and the results of their operations and their cash flows for the 6-month periods then ended in accordance with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. Supporting information on the financial transactions for the three appropriation funds is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the

auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our review of the internal control structure revealed that a large number of checks was being cashed at the House bank and then returned because of insufficient funds. We first informed the Sergeant at Arms about this condition in August 1988 and again in our report of February 7, 1990 (GAO/AFMD-90-28). In commenting on our February 7, 1990, report, the Sergeant at Arms stated that check-cashing procedures would be implemented to address the situation. While procedures have been established, they are not being enforced in all cases and have not been effective in reducing the number of checks being returned because of insufficient funds. In a letter dated July 16, 1991, the Sergeant at Arms outlined further steps to improve operations of the House bank which, when fully implemented, should significantly reduce the number of insufficient funds checks written on House bank accounts.

Our reports on the internal control structure and compliance with laws and regulations, together with the funds' financial statements, accompanying notes, and schedules of financial transactions for the 6-month periods ended June 30, 1990, and December 31, 1989, are included in this report.



Charles A. Bowsher
Comptroller General
of the United States

Contents

Opinion Letter	1
Report on Internal Control Structure	6
Report on Compliance With Laws and Regulations	11
Balance Sheets—Appropriation Funds	13
Balance Sheets—Deposit Fund	14
Statements of Operations—Appropriation Funds	15
Statements of Receipts and Disbursements—Deposit Fund	16
Statements of Cash Flows—Appropriation Funds	17
Statements of Cash Flows—Deposit Fund	18
Notes to Financial Statements	19

Schedules of Financial Transactions— Appropriation Funds	22
Appendix I Comments From the House Office of the Sergeant at Arms	24
Tables	
Table 1: Identifiable Costs Paid With Appropriated Funds	19
Table 2: Check-Cashing Transactions	20

Abbreviations

CSRS	Civil Service Retirement System
FERS	Federal Employees' Retirement System

Report on Internal Control Structure

We have audited the financial statements of three appropriation funds and the deposit fund administered by the Office of the Sergeant at Arms, House of Representatives, for the 6-month periods ended June 30, 1990, and December 31, 1989, and have issued our opinion thereon. This report pertains only to our consideration of the internal control structure for the 6-month periods ended June 30, 1990, and December 31, 1989.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. In planning and performing our audit of the financial statements of the funds for the 6-month periods ended June 30, 1990, and December 31, 1989, we considered the internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The House Office of the Sergeant at Arms' management is responsible for establishing and maintaining an internal control structure for the four audited funds. In fulfilling this responsibility, estimates and judgments by the Office's management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purposes of this report, we have classified the Office's internal control structure policies and procedures for the four funds into the following categories:

- payroll expenses,
- cash receipts, and
- cash payments.

For all of the internal control structure categories listed above, we obtained an understanding of the design of the relevant policies and procedures, determined whether they had been placed in operation, and assessed the associated control risk. We performed limited tests of the internal control procedures for all the categories. In addition, we performed audit tests to substantiate account balances associated with each control category. Such tests can serve to identify weaknesses in the internal control structure.

No Material Weaknesses Identified

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control structure would not necessarily disclose all matters in the structure that might be material weaknesses. However, during our tests, we found no matter involving the internal control structure and its operation that we consider to be a material weakness as defined above.

Reportable Condition

We identified one matter involving the internal control structure and its operation that we consider to be a reportable condition under generally accepted government auditing standards. A reportable condition involves a matter coming to our attention relating to a significant deficiency in the design or operation of the internal control structure that, in our judgment, could adversely affect an organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Check-Cashing Procedures Are Not Being Consistently Enforced

The House bank is a private operation subject only to regulations established by the House of Representatives. Funds used to cash checks at the bank are provided from deposits made by Members. In our previous report (GAO/AFMD-90-28), which covered the 12-month period ended June 30, 1989, we stated that a large number of checks was being cashed and then returned to the House bank because of insufficient

funds. At that time, we reported that a lack of check-cashing procedures was a primary cause of the situation. In December 1989, the House Office of the Sergeant at Arms established check-cashing procedures. But the procedures have not been fully effective because they are not being enforced in all cases. As a result, many insufficient funds checks continue to be processed, thereby exposing the House bank to possible material losses. The individuals cashing these checks were staff, Members, and former Members of the House of Representatives.

House Bank Account Checks

The new check-cashing procedures have not reduced the number of insufficient funds checks written on House bank accounts. One provision of the check-cashing procedures specifies that account holders with a continuing pattern of overdrafts may have their accounts suspended. The procedures do not define what a "continuing pattern" is.

For the 6-month period preceding implementation of the procedures, 4,006 House bank checks were returned because of insufficient funds. In the 6 months following the establishment of the procedures, 4,325 checks were returned. Just considering checks written for \$1,000 or more, we found that 134 account holders cashed 581 checks that were returned because of insufficient funds. Twenty-four account holders averaged at least one returned check a month. However, no account holders have had their accounts suspended. In reviewing records of insufficient funds checks, we could not readily identify whether a check had been redeposited and returned more than once.

When an account holder writes a check on an account that does not have sufficient funds to cover the check, the bank makes the check good and then notifies the account holder to deposit funds to cover the check. However, bank records did not allow us to determine what portion of each returned check was not covered by funds in the account on which it was drawn. For example, a \$1,000 check may have been drawn on an account that had a balance of \$750 and, therefore, only \$250 was actually not covered by funds in the account. Our review of bank records showed that an average of 7 days elapsed between the dates the checks for \$1,000 or more were returned to the House bank because of insufficient funds and the date they were redeemed. A few account holders took up to 4 weeks to redeem their checks. Presently, there is no penalty on account holders who overdraw their accounts.

Non-Account Checks

During the 6-month period before the check-cashing procedures were implemented, we found that 192 checks totaling \$198,729, which were

not written on House bank accounts, were returned because of insufficient funds. Some checks were redeposited and returned again because of insufficient funds. In the 6 months after the procedures were established, there were 122 checks totaling \$110,402 which were returned for the same reason. While the number of insufficient funds checks being handled has been reduced, further improvement could be achieved.

The check-cashing procedures established by the House Office of the Sergeant at Arms include the following provisions:

- non-account holders (limited to employees of the House and former Members of the House) are permitted to cash personal checks for \$75 or less, and
- non-account check cashing privileges are to be terminated if two checks are returned within a 12-month period.

We found that these provisions are not always enforced. For example, during the first 6 months that the check-cashing procedures were in use, 15 of the checks cashed by non-account holders which were returned because of insufficient funds exceeded the \$75 limit imposed by the procedures. Of the 59 non-account holders who had checks returned, 13 of them accounted for 2 to 8 such checks each. Another individual was responsible for 19 non-House bank checks which were cashed and returned for insufficient funds.

Conclusion and Suggestions

House bank officials have terminated the check-cashing privileges of some non-account holders, but they have not done so for all those who have had two or more checks returned within a 12-month period. Further, bank officials have not taken action to suspend, terminate, or otherwise penalize any account holder even though many of these account holders have continued to cash checks when there are insufficient funds in their accounts to cover the checks. This indicates that the check-cashing procedures are not being consistently enforced.

We suggest that the Sergeant at Arms uniformly enforce the check-cashing procedures so that they can provide effective protection against possible future losses resulting from insufficient funds checks. We also suggest that the Sergeant at Arms, in consultation with the Speaker of the House, determine whether a fee should be charged to account holders as a means of discouraging overdrafts and limiting the potential for loss from account holder checks which are returned because of insufficient funds.

House Sergeant at Arms' Comments and Our Evaluation

In a letter dated July 16, 1991, the Sergeant at Arms acknowledged that certain previously adopted guidelines had not been implemented in a fashion which would achieve desired safeguards. (See appendix I.) The letter outlines steps designed to specifically ensure that the established guidelines are properly implemented, as well as new steps to modernize the operations of the House bank. Those steps include greater use of computers to give bank tellers more current account information and the offering of overdraft protection loans to account holders. We believe that the steps outlined by the Sergeant at Arms are necessary to improve the operations of the House bank and, once fully implemented, should significantly reduce the number of insufficient funds checks written on House bank accounts.

Report on Compliance With Laws and Regulations

We have audited the financial statements of three appropriation funds and the deposit fund administered by the House Office of the Sergeant at Arms for the 6-month periods ended June 30, 1990, and December 31, 1989, and have issued our opinion thereon. This report pertains only to our review of the Office's compliance with laws and regulations for the four funds for the 6-month periods ended June 30, 1990, and December 31, 1989.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the House Office of the Sergeant at Arms is responsible for compliance with laws and regulations applicable to the four funds audited. As part of obtaining reasonable assurance as to whether the financial statements were free of material misstatement, we selected and tested transactions and records to determine the Office's compliance with certain provisions of the following laws and regulations that, if not complied with, could have had a material effect on the funds' financial statements:

- 2 U.S.C. 31, 38a, 40, 43, and 43b-1 through 3, which relate to the amount and disposition of House Members' salaries and travel reimbursement;
- 2 U.S.C. 78, 80, 80a, 81b, and 81c, which relate to disbursing appropriated or trust funds;
- Department of the Treasury regulations on cash;
- Office of Personnel Management regulations on employee benefits and employer costs; and
- Internal Revenue Service regulations on income tax withholdings.

It should be noted that our objective was not to provide an opinion on the overall compliance with such provisions. Because of the limited purpose for which our tests of compliance were made, the laws and regulations tested did not cover all legal requirements with which the Office has to comply.

The results of our tests for the 6-month periods ended June 30, 1990, and December 31, 1989, indicate that, with respect to the items tested, the Office complied in all material respects with those provisions of laws and regulations that could have a material effect on the financial statements of the four audited funds. With respect to the transactions not

tested, nothing came to our attention that caused us to believe that the Office had not complied, in all material respects, with those provisions.

Balance Sheets—Appropriation Funds

	June 30, 1990	December 31, 1989
Assets		
Funds with U.S. Treasury	\$23,465,753	\$49,382,243
Accounts receivable—other	4,573	2,960
Total Assets	\$23,470,326	\$49,385,203
Liabilities and Government Equity		
Salaries payable	\$4,287,337	\$4,273,231
Other	1,058	131
Total Liabilities	4,288,395	4,273,362
Unexpended appropriations	19,181,931	45,111,841
Total Government Equity	19,181,931	45,111,841
Total Liabilities and Government Equity	\$23,470,326	\$49,385,203

The accompanying notes are an integral part of these statements.

Balance Sheets—Deposit Fund

	June 30, 1990	December 31, 1989
Assets		
Cash		
Funds with U.S. Treasury	\$889,505	\$890,990
Cash on hand	201,352	211,591
Checks on hand (note 2)	258,128	40,524
	1,348,985	1,143,105
Accounts receivable		
From Members (note 3)	142,008	205,474
Other (note 4)	9,223	343
	151,231	205,817
Total Assets	\$1,500,216	\$1,348,922
Liabilities and Government Equity		
Members' deposits	\$1,500,216	\$1,348,922
Total Liabilities and Government Equity	\$1,500,216	\$1,348,922

The accompanying notes are an integral part of these statements.

Statements of Operations— Appropriation Funds

	6-month period ended	
	June 30, 1990	December 31, 1989
Funding Sources		
Appropriations expended	\$25,926,731	\$24,774,993
Collections and refunds (note 5)	12,916	1,659
Total Funding Sources	\$25,939,647	\$24,776,652
Expenditures		
Salaries of Members	\$20,674,012	\$19,607,954
Employee benefits		
Retirement (note 6)	2,680,019	2,512,064
Social Security	1,580,704	138,215
Health insurance	497,598	447,580
Life insurance	42,944	40,889
Thrift savings plan	381,124	320,577
Total employee benefits	5,182,389	3,459,325
Mileage of Members	70,402	22,135
Payments to widows, widowers, or heirs of deceased Members	0	358,000
Miscellaneous (note 5)	12,844	5,557
Total Expenditures	25,939,647	23,452,971
Unexpended Appropriations Returned to Treasury	0	1,323,681
Total Fund Expenditures and Returns	\$25,939,647	\$24,776,652

The accompanying notes are an integral part of these statements.

Statements of Receipts and Disbursements— Deposit Fund

	6-month period ended	
	June 30, 1990	December 31, 1989
Receipts		
Transfers from appropriated funds (Members' salaries, mileage, and state income tax)	\$10,944,223	\$10,954,561
Members' deposits	10,871,331	8,154,684
Sale of traveler's checks	114,336	199,292
Total Receipts	21,929,890	19,308,537
Disbursements		
Net payments to or for accounts of Members	20,935,352	18,755,283
State income tax withheld remitted to states	719,685	688,563
Payment for traveler's checks sold	114,336	199,292
Miscellaneous	9,223	2,343
Total Disbursements	21,778,596	19,645,481
Excess receipts (disbursements)	151,294	(336,944)
Deposit fund balance, beginning of period	1,348,922	1,685,866
Deposit Fund Balance, End of Period	\$1,500,216	\$1,348,922

The accompanying notes are an integral part of these statements.

Statements of Cash Flows— Appropriation Funds

	6-month period ended	
	June 30, 1990	December 31, 1989
Cash Flows From Operating Activities		
Increase (decrease) in unexpended appropriated funds	\$(25,929,910)	\$25,705,242
Adjustments to reconcile unexpended funds change to net cash provided by (used in) operating activities		
(Increase) in assets:		
Other receivables	(1,613)	(2,960)
Increase (decrease) in liabilities:		
Salaries payable	14,106	329,662
Other payables	927	(937)
Net cash provided by (used in) operating activities	(25,916,490)	26,031,007
Cash at beginning of 6-month period	49,382,243	23,351,236
Cash Balance at End of 6-month Period	\$23,465,753	\$49,382,243

The accompanying notes are an integral part of these statements.

Statements of Cash Flows—Deposit Fund

	6-month period ended	
	June 30, 1990	December 31, 1989
Cash Flows From Operating Activities		
Collections from appropriated funds	\$10,944,223	\$10,954,561
Collections from Members and others	11,040,253	8,304,287
Cash paid, for Members, to taxing authorities and others	(21,778,596)	(19,645,481)
Net cash provided by (used in) operating activities	205,880	(386,633)
Cash at beginning of 6-month period	1,143,105	1,529,738
Cash Balance at End of Period	\$1,348,985	\$1,143,105

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

Note 1. Significant Accounting Policies

The Sergeant at Arms, as a fiscal officer of the House of Representatives, receives and disburses three appropriation funds which are separately used for (1) salaries of Members and related administrative expenses, (2) mileage of Members to and from each session of the Congress, and (3) payments to widows, widowers, or heirs of deceased Members. The Sergeant at Arms also administers a deposit fund which is used to operate a deposit and check-cashing function for House Members, commonly referred to as the "House bank," and is accountable for Members' funds on deposit in the bank.

The Deposit Fund consists of the total of the individual accounts for the various Members who use the "House bank" facility. Members withdraw money from their accounts by presenting checks for payment either directly to the House bank or through regular banking channels. Money in the Deposit Fund is used to cash checks for Members, employees of the House, and former Members of the House. Cashed checks drawn on other banks are deposited in the U.S. Treasury through a local bank on the next business day. Any losses incurred in conducting check-cashing activities that are not the result of lack of due care are authorized to be reimbursed by the Committee on House Administration from the contingent expenses of the House, according to 2 U.S.C. 81b.

Other House bank operations consist of selling traveler's checks and assisting Members in making wire transfers and purchasing foreign currency, savings bonds, and cashier's checks.

The financial statements do not include House bank employee related operating costs of the Office of the Sergeant at Arms. These costs, as provided under Public Laws 100-458 and 101-163, were paid from separate appropriations for salaries and expenses of the House of Representatives staff. The identifiable costs are as follows.

Table 1: Identifiable Costs Paid With Appropriated Funds

Audit period	Personnel compensation	Personnel benefits	Other	Total
July 1, 1989, to June 30, 1990	\$605,873	\$92,089	\$25,458	\$723,420

The financial statements also do not include costs for space, utilities, and equipment, whose amounts cannot be readily determined, nor do they include funds appropriated to the Sergeant at Arms for operation of the Capitol Police.

Appropriated funds are disbursed on the basis of monthly payroll vouchers covering salaries, related administrative expenses, and mileage of Members. The amounts due Members are either paid by check or, if Members request it, transferred to their credit in the Deposit Fund account established in the U.S. Treasury for this purpose. Members are paid on the first workday after the month in which the salary is earned. Accordingly, salaries payable represent Members' salaries and related administrative expenses for the last month of the period.

Note 2. Checks on Hand

Checks on hand amounting to \$258,128 at June 30, 1990, and \$40,524 at December 31, 1989, represent checks drawn on other banks and cashed for Members and employees of the House on the last business day of the 6-month period but not yet deposited with the U.S. Treasury. The check-cashing transactions for the 6-month periods ended June 30, 1990, and December 31, 1989, are summarized below.

Table 2: Check-Cashing Transactions

	6-month period ended	
	June 30, 1990	December 31, 1989
Checks on hand at beginning of period	\$40,524	\$332,166
Checks cashed	13,281,249	11,597,324
	13,321,773	11,929,490
Checks deposited with U.S. Treasury	13,063,645	11,888,966
Checks on hand at end of period	\$258,128	\$40,524

Note 3. Accounts Receivable From Members

Amounts due from Members represent checks drawn on and cashed or paid by the Sergeant at Arms but not charged to the Members' accounts. Checks are held for reasons such as insufficient funds, missing signature, incorrect date, or a stop-payment order. The Sergeant at Arms monitors all such items daily, and no financial losses have been recorded under these procedures.

Note 4. Accounts Receivable—Other

The other accounts receivable at June 30, 1990, consisted of the cashiers' net shortage of \$642 and \$8,581 due from the U.S. Treasury as a result of replacement checks being issued for lost checks. They remain in accounts receivable until Treasury cancels the original checks and credits the bank's account. At December 31, 1989, this account consisted of the cashiers' net shortage of \$343.

Note 5. Miscellaneous Receipts and Expenditures

Miscellaneous receipts and expenditures consist of two categories. The first category includes receipts from Members for their contributions to the retirement fund for military service after 1956 and the subsequent disbursement to the retirement fund.

The second category includes expenditures for amounts for the replacement of checks reported as lost or stolen and the subsequent receipts for amounts credited by the U.S. Treasury when it has been determined that only one check will be cashed in each instance where a replacement check has been issued.

Note 6. Members' Retirement Benefits

The House Office of the Sergeant at Arms contributes to the cost of Members' health insurance and retirement plans. The health insurance plans are made available through the Federal Employees Health Benefits Program administered by the U.S. Office of Personnel Management. Members' retirement is covered by either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS), both of which are defined benefit plans. For employees covered by FERS, the government also contributes to the Thrift Savings Plan, a defined contribution plan, 1 percent of pay and then matches employee contributions up to an additional 4 percent of pay. Members contribute 1.8 percent and 1.3 percent of their gross salaries to either the CSRS or the FERS plans, respectively.

Schedules of Financial Transactions— Appropriation Funds

	6-month period ended	
	June 30, 1990	December 31, 1989
Appropriations		
Salaries	\$0	\$50,250,000
Mileage	11,000	198,000
Payments to widows, widowers, or heirs of deceased Members	0	358,000
Total appropriations	11,000	50,806,000
Collections and Refunds		
Miscellaneous	12,157	1,659
Total appropriations, collections, and refunds	23,157	50,807,659
Expenditures		
Salaries		
Paid to Members		
By check	1,892,060	1,925,832
Transferred to deposit fund	10,164,009	10,246,084
Deductions from salaries		
Federal income tax	4,192,737	4,021,563
Social security tax	1,580,704	138,215
State income tax	719,685	688,562
Retirement	354,610	946,490
Life insurance	85,888	81,778
Optional life insurance	134,185	122,504
Health insurance	220,287	216,506
U.S. Savings Bonds	21,050	20,950
Transfers to other organizations	590,426	558,847
Thrift savings plan	718,371	640,623
Total salaries	20,674,012	19,607,954
Employee benefits		
Retirement	2,680,019	2,512,064
Social Security	1,580,704	138,215
Health insurance	497,598	447,580
Life insurance	42,944	40,889
Thrift savings plan	381,124	320,577
Total employee benefits	5,182,389	3,459,325

(continued)

**Schedules of Financial Transactions—
Appropriation Funds**

	6-month period ended	
	June 30, 1990	December 31, 1989
Mileage of Members		
Paid by check	9,873	2,220
Transferred to deposit fund	60,529	19,915
Total mileage	70,402	22,135
Payments to widows, widowers, or heirs of deceased Members	0	358,000
Miscellaneous	12,844	5,557
Unexpended appropriations returned to the U.S. Treasury	0	1,323,681
Total expenditures	25,939,647	24,776,652
Excess of appropriations, collections, and refunds over expenditures (expenditures over appropriations, collections, and refunds)	(25,916,490)	26,031,007
Appropriated funds with Treasury, beginning of period	49,382,243	23,351,236
Appropriated Funds With Treasury, End of Period	\$23,465,753	\$49,382,243

Comments From the House Office of the Sergeant at Arms

Jack Russ
Sergeant at Arms

Office of the Sergeant at Arms
U.S. House of Representatives
Washington, DC 20515

July 16, 1991

Charles A. Bowsher
Comptroller General of the United States
General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear General Bowsher:

The General Accounting Office has completed its audit of the Sergeant-at-Arms Bank. That audit reveals that all applicable laws and regulations have been properly observed and that the operation of the bank has not resulted in any improper loss of funds, either governmental or belonging to the Members of the House.

The audit did, however, reveal that certain protective guidelines that had been adopted last year in consultation with the General Accounting Office had not been implemented in a fashion which would achieve the desired safeguard.

I am writing to inform you of certain steps which have been taken, and others that will be implemented in the near future, to assure the implementation of these guidelines. In addition, I take this opportunity to describe certain further efforts being made to modernize the operation of the Bank.

As you know, the Leadership of the House and I, in cooperation with the General Accounting Office, have now been engaged in an ongoing effort to improve the banking procedures relating to the Bank. Last year, after consultation with the General Accounting Office, we designed guidelines and procedures which have been implemented for a period of time. These procedures addressed a number of the problems which had been previously identified. This past year's experience has highlighted the need for certain adjustments and improvements in the operation of the Bank.

After further consultation with your office, the House Leadership, and banking industry experts, I am taking steps to implement further procedural safeguards and to specifically assure that the established guidelines are being properly implemented by Bank employees. These new steps include:

1. Each account holder will be given, in writing, a clear enunciation of the check cashing policy and the limitations that are part of that policy.

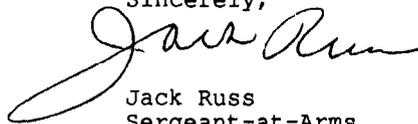
Appendix I
Comments From the House Office of the
Sergeant at Arms

July 16, 1991
Page 2

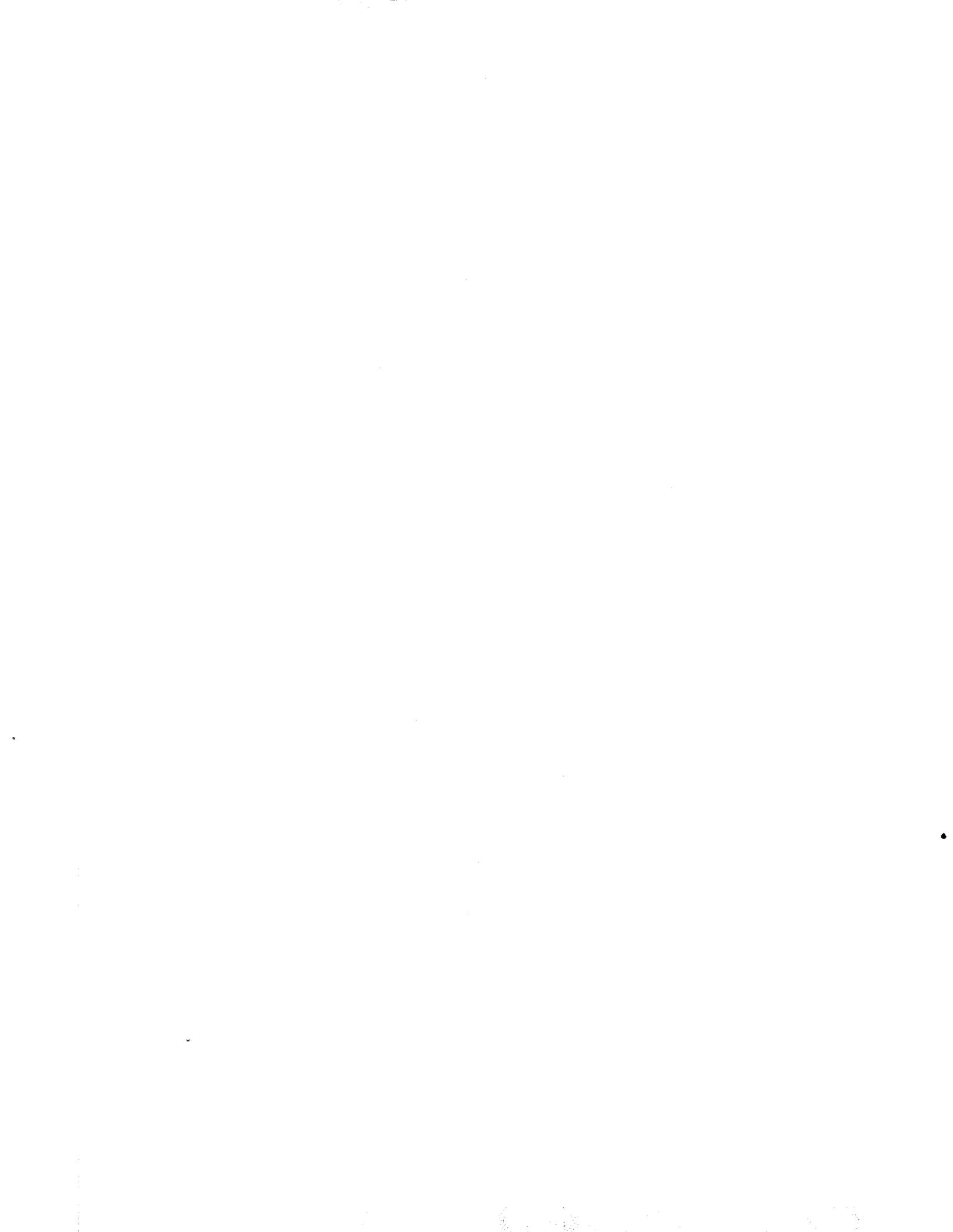
2. A computer program widely utilized throughout the banking industry will be installed for use by the Bank's tellers. This will permit tellers and account holders to know the current status of accounts.
3. Arrangements will be made with the Wright-Patman Federal Credit Union, or another comparable banking institution, to offer overdraft protection loans to account holders. These loans, currently available to all members of the credit union and standard throughout the industry, can be utilized to transfer sufficient funds to cover any shortfall which would otherwise be caused by the cashing of a check. The loans would be offered by the credit union or other institution in accordance with regular banking procedures and would be assessed the appropriate regular interest rate. Obtaining such overdraft protection would be at the option of each qualifying account holder.
4. Account holders who submit a check for cashing in violation of the guidelines will be informed personally and directly by the Sergeant-at-Arms and warned of the potential suspension of their check cashing privileges. Further violation of the guidelines will result in the suspension of check cashing privileges.
5. Consultants from the operations and security divisions of the Riggs National Bank have conducted further audits and operational studies of the Bank. The changes being made at this time reflect the suggestions they have made both in regards to check cashing and cash control procedures. These consultants will monitor, on an ongoing basis, the implementation and compliance with these guidelines and procedures.

I hope that these procedures will provide appropriate safeguards to the funds maintained in the Sergeant-at-Arms Bank.

Sincerely,



Jack Russ
Sergeant-at-Arms



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